

FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: March 15, 1995

SUBJECT: **SB 272 - HB 1310**

This bill, if enacted, will establish *The Preferred Provider Organizations Act of 1995*. The Commissioner of the Department of Commerce and Insurance is required to promulgate rules within one year of the effective date of this act. These rules will establish procedures dealing with the operation of preferred provider organizations.

The fiscal impact from enactment of this bill is estimated to result in an increase in expenditures to the TennCare Program. The provisions of this bill are estimated to result in an increase in capitation rates since the procedures used to control cost by the managed care organizations are affected. Several provisions of the bill affect such procedures, specifically, Section 6, Part 2 which provides full freedom of choice for insureds in the selection of hospitals and health care providers. The amount of such increased expenditures cannot be reasonably determined but is estimated to exceed \$100,000 over the long run.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



SB 272 - HB 1310

James A. Davenport, Executive Director